

Message Text

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INFORM CONSULS

E.O. 11652: GDS

TAGS: UNCTAD, EFIN, ETRD

SUBJECT: THE COMMON FUND -- WHERE WE STAND

SUMMARY: A COMMON FUND IN SUPPORT OF INDIVIDUAL BUFFER
STOCKS TO STABILIZE PRICES OF TRADED COMMODITIES HAS BEEN A
MAJOR ISSUE IN THE NORTH-SOUTH DIALOGUE SINCE UNCTAD IV. A
SECOND NEGOTIATING CONFERENCE ON A COMMON FUND UNDER UNCTAD
AUSPICES IS SCHEDULED FOR NOVEMBER, 1977. THE FIRST WAS
HELD IN MARCH, 1977. THIS CABLE SUMMARIZES THE HISTORY OF
INTERNATIONAL DISCUSSIONS ON THE COMMON FUND AND THE EVOLU-
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TION OF THE U.S. POSITION. IT IS DESIGNED TO PROVIDE
BACKGROUND INFORMATION TO ALL POSTS. END SUMMARY.

1. THE COMMODITY PROGRAM AND COMMON FUND EMERGE AT UNCTAD
IV.

A. BACKGROUND

THE DEMANDS OF THE DEVELOPING COUNTRIES FOR AN INTEGRATED COMMODITY PROGRAM AND A COMMON FUND TO SUPPORT IT, WHICH CULMINATED AT UNCTAD IV, AROSE PRINCIPALLY FOR THREE REASONS: 1) A DISAPPOINTMENT WITH AID PERFORMANCE; 2) THE DESIRE OF MANY LDCS TO ESTABLISH AN INSTITUTION UNDER THEIR CONTROL WHICH COULD INTERVENE IN AND POSSIBLY RE-STRUCTURE WORLD COMMODITY MARKETS; AND 3) A BELIEF THAT OIL WAS A "COMMODITY" WHOSE SUCCESSFUL HANDLING FROM THE PRODUCER POINT OF VIEW BY OPEC COULD BE EMULATED BY OTHERS.

IN PREPARATION FOR UNCTAD IV, THE GROUP OF 77 (NOW MORE THAN 100 NATIONS COMPRISING THE LDC MEMBERS OF UNCTAD) HELD A MINISTERIAL MEETING IN JANUARY, 1976, WHICH PRODUCED THE MANILA DECLARATION AND PROGRAMME OF ACTION. THIS DOCUMENT FIRMLY ESTABLISHED G-77 SUPPORT FOR THE INTEGRATED PROGRAM FOR COMMODITIES (IPC) DEVELOPED BY THE UNCTAD SECRETARIAT, STATING THAT "UNCTAD IV SHOULD ADOPT DECISIONS ON THE OBJECTIVES, COMMODITIES TO BE COVERED, INTERNATIONAL MEASURES AND NEGOTIATING PLAN OF THE INTEGRATED PROGRAMME FOR COMMODITIES OF EXPORT INTEREST TO DEVELOPING COUNTRIES, INCLUDING PERISHABLES, AND A TIME-TABLE FOR ITS IMPLEMENTATION."

B. G-77 IPC OBJECTIVES

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AS DESCRIBED BY THE G-77 IN THE MANILA DECLARATION, THE IPC WOULD MEET THE FOLLOWING OBJECTIVES:

- IMPROVEMENT OF LDC TERMS OF TRADE FOR COMMODITIES;
- SUPPORTING COMMODITY PRICE LEVELS WHICH IN REAL TERMS ARE REMUNERATIVE TO PRODUCERS AND EQUITABLE TO CONSUMERS;
- REDUCTION OF EXCESSIVE FLUCTUATIONS IN COMMODITY PRICES AND SUPPLIES;
- IMPROVING AND STABILIZING IN REAL TERMS THE EXPORT EARNINGS OF LDCS;
- EXPANSION OF LDC EXPORTS OF PRIMARY AND PROCESSED COMMODITIES AND IMPROVED COMPETITIVENESS VIS-A-VIS SYNTHETIC SUBSTITUTES;
- DIVERSIFICATION OF PRODUCTION WITHIN LDCS TO ENCOURAGE INDUSTRIALIZATION;

-- ASSURANCES OF ACCESS TO DC MARKETS FOR LDC PRODUCERS;
AND

-- INCREASED LDC PARTICIPATION IN THE TRANSPORT, MARKETING
AND DISTRIBUTION OF THEIR COMMODITY EXPORTS.
TO ACHIEVE THESE OBJECTIVES, THE G-77 ADVOCATED A SERIES
OF INTERNATIONAL MEASURES WHICH WOULD CONSTITUTE ELEMENTS
OF THE IPC. THESE INCLUDE:

-- ESTABLISHMENT OF A COMMON FUND FOR THE FINANCING OF
INTERNATIONAL COMMODITY STOCKS;

-- SETTING UP INTERNATIONAL COMMODITY BUFFER STOCKS;

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-- HARMONIZATION OF STOCKING POLICIES AND THE SETTING UP
OF COORDINATED NATIONAL STOCKS FINANCED BY THE COMMON
FUND;

-- NEGOTIATIONS FOR INDIVIDUAL COMMODITY AGREEMENTS;

-- INDEXATION OF COMMODITY PRICES TO THOSE OF MANUFACTURED
GOODS;

-- IMPROVEMENT AND EXPANSION OF COMPENSATORY FINANCING
FACILITIES WITHIN INTERNATIONAL FINANCIAL INSTITUTIONS;
AND

-- PROMOTION AND SUPPORT FOR PROCESSING AND DIVERSIFICATION
ACTIVITIES WITHIN LDCS AND FOR GREATER LDC PARTICIPATION
IN THE TRANSPORT, MARKETING AND DISTRIBUTION OF COMMO-
DITIES.

THERE WERE A NUMBER OF ELEMENTS WITHIN THE IPC WHICH THE
U.S. COULD SUPPORT. THESE DEALT PRIMARILY WITH THE NEED
FOR CONTINUED MARKET ACCESS, THE
NEED TO REDUCE BARRIERS THAT DISCOURAGE LOCAL PROCESSING
OF RAW MATERIALS, THE NEED TO IMPROVE THE PRODUCTIVITY
AND MARKETABILITY OF COMMODITIES, AND THE DESIRABILITY OF
STABILIZING COMMODITY PRICES AROUND THEIR LONG TERM TREND
TO AVOID THE SHORT-TERM FLUCTUATIONS THAT ARE HARMFUL TO
BOTH PRODUCERS AND CONSUMERS. HOWEVER, THE MAIN DIFFICUL-
TIES FOR THE U.S. RAISED BY THE IPC WERE INDEXATION OF
COMMODITY PRICES TO THOSE OF MANUFACTURED GOODS AND
THE COMMON FUND CONCEPT, TO WHICH THE LDCS GAVE HIGHEST
PRIORITY.

C. U.S. POSITION AT UNCTAD IV
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THE U.S. VIEW ON BUFFER STOCKS AND BUFFER STOCK FINANCING WAS EXPRESSED DURING THE UNCTAD IV WORKING GROUP MEETINGS AND SUMMARIZED IN OUR RESERVATIONS AND EXPLANATION TO THE FINAL UNCTAD RESOLUTION ON COMMODITIES, (RESOLUTION 93 (IV)) OUR POSITION WAS THAT WHILE WE PREFER BUFFER STOCKS TO OTHER APPROACHES TO PRICE STABILIZATION WHERE FEASIBLE, THE FEASIBILITY OF BUFFER STOCKS AND OTHER MEASURES MUST BE EXAMINED FOR INDIVIDUAL COMMODITIES ON A CASE-BY-CASE BASIS. THE FINANCIAL RELATIONSHIP AMONG BUFFER STOCKS, INCLUDING COMMON FUNDING, SHOULD ONLY BE CONSIDERED ONCE THESE NEGOTIATIONS ON INDIVIDUAL COMMODITY ARRANGEMENTS HAD SHOWN THE FEASIBILITY AND DESIRABILITY OF ANY COMMON FINANCING ARRANGEMENTS. ALTHOUGH THE U.S. HELD SERIOUS RESERVATIONS ON THE IPC AS PUT FORWARD BY THE G-77, THE U.S. AGREED TO PARTICIPATE IN UNCTAD-SPONSORED PREPARATORY MEETINGS ON BOTH INDIVIDUAL COMMODITIES AND THE COMMON FUND CONCEPT, WITH THE PROVISION THAT SUCH PARTICIPATION DID NOT INDICATE A U.S. COMMITMENT TO ENTER INTO ACTUAL NEGOTIATIONS EITHER ON INDIVIDUAL COMMODITIES OR ON A COMMON FUND.

RESOLUTION 93 (IV) OF UNCTAD IV CALLED FOR SECRETARY GENERAL TO CONVENE PREPARATORY CONFERENCES FOLLOWED BY A NEGOTIATING CONFERENCE ON A COMMON FUND TO FINANCE PRICE STABILIZING BUFFER STOCKS AND OTHER MEASURES FOR THE EIGHTEEN COMMODITIES ENVISAGED FOR THE INTEGRATED COMMODITY PROGRAM. THE SECRETARY GENERAL WAS ALSO DIRECTED TO CONVENE PREPARATORY MEETINGS FOR INTERNATIONAL NEGOTIATIONS ON THE INDIVIDUAL COMMODITIES. FURTHERMORE, THE UNCTAD TRADE AND DEVELOPMENT BOARD WAS INSTRUCTED TO ESTABLISH AN AD HOC INTERGOVERNMENTAL COMMITTEE "TO COORDINATE THE PREPARATORY WORK AND THE NEGOTIATIONS, TO DEAL WITH MAJOR POLICY ISSUES THAT MAY ARISE, INCLUDING COMMODITY COVERAGE, AND TO COORDINATE THE IMPLEMENTATION OF THE MEASURES UNDER THE INTEGRATED PROGRAM." THE PREPARATORY MEETINGS ON INDIVIDUAL

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DUAL COMMODITIES WERE TO BE COMPLETED BY FEBRUARY, 1978 SO THAT COMMODITY NEGOTIATING CONFERENCES WHICH WOULD BE CONVENED AS AND WHEN REQUIRED, COULD BE CONCLUDED BY THE END OF 1978. THE PRINCIPAL DIFFERENCE BETWEEN THE U.S. AND UNCTAD'S CONCEPT OF A COMMON FUND IS THAT UNCTAD VIEWED THE COMMON FUND AS A CENTRAL SOURCE OF FINANCING WITH COMMITMENTS TO THE FUND BEFORE THE CONCLUSION

OF INDIVIDUAL COMMODITY AGREEMENTS; THE U.S. BELIEVES THAT PRODUCERS AND CONSUMERS OF INDIVIDUAL COMMODITIES SHOULD FIRST WORK OUT AGREEMENTS ON FINANCING OF INDIVIDUAL COMMODITY SCHEMES WITH THE COMMON FUND SUBSEQUENTLY ACTIVATED TO SUPPLEMENT OR FACILITATE THE FINANCING OF BUFFER STOCKS AGREED UPON BY INDIVIDUAL PRODUCER - CONSUMER AGREEMENTS.

2. PREPARATORY MEETINGS

THE UNCTAD SECRETARIAT SCHEDULED A SERIES OF THREE PREPARATORY CONSULTATIONS BEFORE A MARCH, 1977 NEGOTIATING CONFERENCE ON A COMMON FUND. BOTH THE G-77 AND GROUP B (THE NON-COMMUNIST DEVELOPED COUNTRIES) AGREED AT THESE PREPARATORY MEETINGS THAT WHATEVER ITS FORM, A COMMON FUND WOULD HAVE TO BE AN ECONOMICALLY SOUND AND FINANCIALLY VIABLE INSTITUTION AND NOT A MECHANISM FOR AID TRANSFERS. THE TWO GROUPS, HOWEVER, COULD NOT RECONCILE THEIR IMPORTANT DIFFERENCES AT THESE MEETINGS. WITHIN GROUP B A FEW MEMBERS EXPRESSED A READINESS TO ENDORSE THE G-77 CONCEPT OF A COMMON FUND, BUT MOST MEMBERS WERE INTERESTED IN DEVELOPING ALTERNATIVE FORMULATIONS OF A COMMON FUND INVOLVING POOLING OR CLEARING HOUSE MECHANISMS FOR INTERNATIONALLY AGREED INDIVIDUAL COMMODITY SCHEMES RATHER THAN A FUND AS A CENTRAL SOURCE OF FINANCING AVAILABLE PRIOR TO THE CONCLUSION OF SUCH AGREEMENTS. THESE IDEAS WERE REJECTED BY THE G-77, WHICH WOULD NOT DEVIATE FROM THE MANILA DECISIONAL CONCEPT OF THE COMMON FUND. AS THE MARCH NEGOTIATING SESSION APPROACHED, IT WAS OBVIOUS THAT THE STATE OF PREPAREDNESS OF BOTH THE UNCTAD SECRETARIAT AND THE PARTICIPANTS PRECLUDED A FORMAL AGREEMENT BEING REACHED AT THE CONFERENCE.

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LARATION CONCEPT OF THE COMMON FUND. AS THE MARCH NEGOTIATING SESSION APPROACHED, IT WAS OBVIOUS THAT THE STATE OF PREPAREDNESS OF BOTH THE UNCTAD SECRETARIAT AND THE PARTICIPANTS PRECLUDED A FORMAL AGREEMENT BEING REACHED AT THE CONFERENCE.

3. THE EVOLUTION OF THE U.S. POSITION

MARCH CONFERENCE - AT THE OUTSET OF THE MARCH CONFERENCE, THE POSITION HELD BY A SUBSTANTIAL NUMBER OF GROUP B COUNTRIES WAS THAT THERE COULD OR SHOULD BE A COMMON FUND OF SOME FORM. THE DIVERGENCE OF VIEWS WITHIN GROUP B ON WHAT FORM A COMMON FUND SHOULD TAKE PRECLUDED AGREEMENT ON A SUBSTANTIVE RESOLUTION. PRESIDENT CARTER'S ADDRESS IN MARCH TO THE UNITED NATIONS INDICATED THAT THE U.S. HAD NO A PRIORI OBJECTION TO COMMON FUNDING FOR INDIVIDUALLY AGREED BUFFER STOCKS BUT THAT FURTHER PROGRESS WOULD HAVE TO BE MADE IN THE NEGOTIATIONS ON THE FEASIBILITY AND FINANCIAL REQUIREMENTS OF INDIVIDUAL COMMODITY ARRANGEMENTS BEFORE AN ACCEPTABLE COMMON FUNDING ARRANGEMENT COULD BE CONCLUDED.

4. LONDON SUMMIT AND CIEC

DESPITE THE LACK OF AGREEMENT, DEVELOPMENTS ON A COMMON FUND PROCEEDED RAPIDLY SUBSEQUENT TO THE MARCH NEGOTIATING SESSION, PARTICULARLY WITHIN GROUP B COUNTRIES. AT THE LONDON ECONOMIC SUMMIT IN MAY THE PARTICIPATING HEADS OF STATE FROM SEVEN MAJOR INDUSTRIAL NATIONS ANNOUNCED IN THE APPENDIX TO THEIR COMMUNIQUE THAT THEY WOULD WORK TO SECURE PRODUCTIVE RESULTS FROM NEGOTIATIONS ABOUT THE STABILIZATION OF COMMODITY PRICES AND THE CREATION OF A COMMON FUND FOR INDIVIDUAL BUFFER STOCK AGREEMENTS."

IN JUNE, THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION (CIEC) REACHED AN AGREEMENT TO ESTABLISH A COMMON
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FUND WITH THE SPECIFIC PURPOSES, OBJECTIVES AND OTHER CONSTITUENT ELEMENTS TO BE FURTHER NEGOTIATED IN UNCTAD. DAVID OWEN, BRITISH FOREIGN SECRETARY, STATED ON BEHALF OF THE GROUP OF EIGHT (INDUSTRIALIZED COUNTRIES), HOWEVER, THAT THE CIEC LANGUAGE IN NO WAY PREJUDGED THE POSITION THE INDUSTRIAL COUNTRIES MIGHT TAKE AT THE NOVEMBER NEGOTIATING CONFERENCE.

NEXT STEPS:

THE MAJOR GROUP B COUNTRIES ARE NOW SEEKING TO DEVELOP A COMMON PROPOSAL FOR THE SECOND NEGOTIATING CONFERENCE ON A COMMON FUND, SCHEDULED FOR NOVEMBER 7 - DECEMBER 2, 1977. IN A SPECIAL MEETING ON JUNE 23, THE OECD HIGH LEVEL GROUP ON COMMODITIES (HLGC) ESTABLISHED AN AD HOC GROUP ON THE COMMON FUND, CHAIRED BY THE U.S., TO CARRY OUT THIS TASK. AT ITS FIRST MEETING ON JULY 7-8, THE GROUP DECIDED TO FOCUS ON ISSUES INVOLVING THE DESIGN OF A POOLING TYPE OF COMMON FUND WITH A BACK-UP FACILITY WHICH WOULD ENABLE PARTICIPATING COMMODITY ORGANIZATIONS, IN CERTAIN CIRCUMSTANCES, TO BORROW BEYOND THEIR CONTRIBUTIONS TO THE POOL. THE GROUP AGREED TO MEET AGAIN ON JULY 28 TO CONSIDER MAINLY THE QUESTION OF A BACK-UP FACILITY AND THE RELATIONSHIP BETWEEN DEPOSITS AND CREDITS IN A POOL.

AT SUBSEQUENT MEETINGS ON SEPTEMBER 8-9 AND 27-28, THE GROUP WILL PURSUE ITS TECHNICAL WORK BASED UPON NATIONAL SUBMISSIONS OVER THE REMAINDER OF THE SUMMER. ON SEPTEMBER 30, THE PARENT HIGH LEVEL GROUP ON COMMODITIES WILL ASSESS THE RESULTS OF THE AD HOC GROUP'S WORK.

WITHIN THE U.S. GOVERNMENT WE ARE WORKING ON THE DEVELOP-
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MENT OF PROPOSALS INVOLVING POOLING OF THE RESOURCES OF INDIVIDUALLY NEGOTIATED BUFFER STOCK PRICE STABILIZATION AGREEMENTS AND POSSIBLE BACK-UP OR OVERDRAFT FACILITIES. THE U.S. INTENDS TO EXCHANGE VIEWS INFORMALLY WITHIN THE AD HOC GROUP OF THE HLGC AT THE JULY 28 MEETING AND TO SUBMIT A PAPER ON ALL ESSENTIAL ELEMENTS OF A COMMON FUND IN AUGUST. WE PLAN TO CONSULT ON OUR RESPECTIVE VIEWS WITH KEY G-77 MEMBERS IN GENEVA AND NEW YORK AND IN CAPITALS WELL IN ADVANCE OF THE NOVEMBER NEGOTIATING SESSIONS. MAJOR ISSUES AT THE NOVEMBER SESSION WILL BE THE FUNCTIONS AND STRUCTURE OF A COMMON FUND, ITS RELATIONSHIP TO INDIVIDUAL COMMODITY ORGANIZATIONS, THE AMOUNT AND PURPOSES OF FINANCING, THE SHARING OF COSTS OF THE COMMON FUND, ITS INSTITUTIONAL ORGANIZATIONS AND POSSIBLE LINKS WITH THE IBRD, AND ITS VOTING STRUCTURE. ALTHOUGH THE U.S. WILL PUT FORWARD A CONCEPT OF A COMMON FUND AT THE NOVEMBER CONFERENCE, WE CONTINUE TO HOLD THE VIEW THAT THE IMPLEMENTATION OF A COMMON FUND MUST PROCEED IN PARALLEL WITH AGREEMENTS ON STABILIZING INDIVIDUAL COMMODITIES. AGREEMENTS ON THREE OR FOUR INTERNATIONAL COMMODITY SCHEMES, WHICH INCORPORATE BUFFER STOCK PURCHASES FOR STABILIZING PRICES, WILL IN OUR VIEW TRIGGER THE START-UP OF A COMMON FUND TO FACILITATE FINANCING OF THESE AGREEMENTS. THE REQUISITE NUMBER OF INDIVIDUAL COMMODITY AGREEMENTS WOULD HAVE TO DECIDE TO JOIN A COMMON FUND BEFORE IT COULD BE ESTABLISHED.

5. INDIVIDUAL COMMODITY AGREEMENTS

INTERNATIONAL AGREEMENTS HAVE ALREADY BEEN NEGOTIATED FOR COFFEE, COCOA, AND TIN: THE U.S. IS A MEMBER OF THE COFFEE AND TIN, BUT NOT THE COCOA AGREEMENT. THE PRESENT COFFEE AGREEMENT DOES NOT HAVE A BUFFER STOCK PROVISION AND THE COCOA AGREEMENT RELIES PRINCIPALLY ON EXPORT CONTROLS WITH A BUFFER STOCK AS A BACK-UP MECHANISM. WE ARE HOPEFUL THAT WE WILL BE ABLE TO CONCLUDE A NEW INTERNATIONAL SUGAR AGREEMENT WHEN NEGOTIATIONS RESUME IN SEPTEMBER. IT IS NOT

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LIKELY THAT WE WILL BE ABLE TO CONCLUDE ADDITIONAL AGREEMENTS BEFORE THE COMMON FUND NEGOTIATING CONFERENCE RESUMES IN NOVEMBER, ALTHOUGH SIGNIFICANT PROGRESS HAS BEEN MADE ON A FEW COMMODITIES, E.G. SUGAR AND RUBBER. THE U.S. WILL ACTIVELY SUPPORT STABILIZATION AGREEMENTS WHERE THESE ARE FEASIBLE AND CAN HELP TO IMPROVE THE FUNCTIONING OF THE MARKET.

A. SUGAR

NEGOTIATIONS ON A SUGAR AGREEMENT BROKE DOWN DURING THE MAY SESSION WHEN PRODUCERS AND CONSUMERS WERE UNABLE TO REACH AGREEMENT ON FOUR ITEMS: (1) LEVEL OF NATIONALLY HELD STOCKS, (2) PRICE RANGE, (3) FINANCING OF STOCKS, AND (4) THE ROLE OF EXPORT QUOTAS. IT NOW APPEARS THAT THE IMPASSE ON SUGAR NEGOTIATIONS HAS BEEN BROKEN DURING THE LONDON MEETING WHICH WILL END JULY 30 AND NEGOTIATIONS CAN RESUME ON SEPTEMBER 12. THE U.S. HAS MADE A NEW PROPOSAL FOR A SUGAR STABILIZATION FUND TO FINANCE CARRYING CHARGES ASSOCIATED WITH SUGAR STOCKS IN PRODUCING COUNTRIES. PRODUCERS NOW APPEAR WILLING TO COMPROMISE ON THE LEVEL OF STOCKS TO BE BUILT UP FOR USE IN PROTECTING THE PRICE CEILING.

B. COPPER

AT THE SECOND PREPARATORY MEETING ON COPPER (MAY 6-10, 1977) IT WAS DECIDED THAT A STUDY SHOULD BE UNDERTAKEN OF THE FEASIBILITY, COSTS AND BENEFITS, AND FINANCIAL IMPLICATIONS OF ALTERNATIVE FORMS OF STABILIZATION ARRANGEMENTS. TWO MEETINGS OF AN INTERNATIONAL GROUP OF EXPERTS ARE SCHEDULED, AND A THIRD PREPARATORY MEETING IS PROPOSED FOR NO LATER THAN JANUARY, 1978. THE U.S. WOULD PREFER TO CONFIDENTIAL

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HAVE A PERMANENT PRODUCER-CONSUMER FORUM ESTABLISHED WHERE A FEASIBILITY STUDY AND POSSIBLE DRAFTING OF A MARKET STABILIZATION ARRANGEMENT COULD BE CARRIED OUT IN MORE DETAIL.

C. RUBBER

AT ITS JUNE 2-9, 1977 SESSION, THE INTERGOVERNMENTAL WORKING GROUP ON RUBBER HAD BEFORE IT A WORKING PAPER PREPARED BY THE ASSOCIATION OF NATURAL RUBBER PRODUCING COUNTRIES (ANRPC) FOR AN INTERNATIONAL AGREEMENT INVOLVING A BUFFER STOCK OF 400,000 MT SUPPLEMENTED BY EXPORT CONTROLS UNDER EXTRAORDINARY CIRCUMSTANCES.

PARTICIPANTS IN THE SECOND PREPARATORY MEETING ON RUBBER (JUNE 6-10) AGREED TO SET UP AN INTERGOVERNMENTAL TASK FORCE ON RUBBER TO CONSIDER IN GREATER DETAIL THE SPECIFIC ELEMENTS OF A POSSIBLE COMMODITY AGREEMENT FOR RUBBER AS IDENTIFIED BY THE INTERGOVERNMENTAL WORKING GROUP. THE TASK FORCE HAS ALREADY SCHEDULED TWO MEETINGS TO PREPARE A RECOMMENDATION FOR THE THIRD PREPARATORY MEETING ON RUBBER SLATED FOR FEBRUARY 27 - MARCH 3, 1978.

D. JUTE

THE FOURTH PREPARATORY MEETING ON JUTE ENDED ON JULY 15 WITHOUT REACHING ANY AGREEMENT ON ITS PRINCIPAL CONCERN, THE PRODUCERS' CALL FOR "HARMONIZATION" OF THE PRODUCTION OF JUTE AND COMPETING SYNTHETICS. THERE WAS AGREEMENT TO CONTINUE WORK ON R&D, COST REDUCTION AND MARKET STABILIZATION. CONSUMING COUNTRIES BELIEVE A MARKET STABILIZATION AGREEMENT IS NOT FEASIBLE AND WOULD PREFER TO WORK ON R&D TO IMPROVE PRODUCTIVITY AND EXPAND MARKETS. TWO EXPERT-LEVEL MEETINGS ARE SCHEDULED FOR DECEMBER AND JANUARY, WITH A FIFTH PREPARATORY MEETING TO BE HELD DURING THE SPRING OF 1978.

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E. OTHERS

TO DATE, NINETEEN MEETINGS HAVE BEEN HELD UNDER UNCTAD AUSPICES. NUMEROUS ADDITIONAL MEETINGS HAVE NOW BEEN SCHEDULED THROUGH MID-MARCH, 1978, FOR COPPER, HARD FIBERS, RUBBER, PHOSPHATES, MEAT, BAUXITE, JUTE, IRON ORE, TEA, TROPICAL TIMBER, COTTON, VEGETABLE OILS AND BANANAS. PRODUCER AND CONSUMER COUNTRIES CONTINUE TO PRESS AHEAD IN AN EFFORT TO ACHIEVE THE 1978 DEADLINE SET AT NAIROBI FOR CONCLUSION OF PREPARATORY MEETINGS AND THE NEGOTIATION OF NEW INTERNATIONAL COMMODITY AGREEMENTS, AS AND WHEN REQUIRED. VANCE

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